PERIODICALS
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THE QUARTERLY REVIEW OF PUBLIC RELATIONS

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WINTER 1961

When all is said and done, the professional man, whether he is in law, medicine, accounting or public relations, has to make a living from his calling. To a public relations counselor or firm, this means showing a profit. Yet the literature of our field is exceedingly sparse on this basic and practical point. We ourselves have not covered this subject since the popular piece, "How to Charge a Client," by Farley Manning in the January, 1956 issue.

In an attempt to throw a bright light on the fee question we present "Fee Billing: A Return for the Effort Spent," by **Alfred G. Paulson** (page 2). Mr. Paulson is Vice President and Controller of Ruder & Finn, Inc., the New York counseling firm. Born in Equador and a graduate of the University of California at Los Angeles, he spent eight years with the national accounting firm, Arthur Anderson & Co. Thus he comes to his subject with the approach of an experience CPA who specializes in the public relations field.

This is the first of a series of three on this all important subject of concern to counselors, incipient counselors (what PR man is not?) and clients. The present article points to the significance of knowing what the cost relationships are in a PR firm and how they can be used in determining fees and billing methods. A subsequent article will deal with the mechanics of a cost accounting system which provides management with meaningful information and standards for measuring the client's fee arrangement and the cost of servicing the client. In a final article, the author promises to discuss planning for growth and profits through the use of simple budgeting and reporting techniques.

* * *

A refreshing and unusual approach to public relations is taken by **William L. Safire** in "The Fine Art of Leverage in PR Programs" (page 11). Everyone talks about leverage, but Mr. Safire, through the help of drawings, has related it directly to the scientific principles of leverage as taught in mechanics. And he illuminates his illustrations with numerous case examples out of his public relations experience. Previously a vice president of Tex McCrary, Inc., public relations counselors in New York, Mr. Safire now heads his own firm, Safire Associates. A year ago, in these pages, he wrote "Was Mr. Vanderbilt Right?"

"Why Haven't PR Agencies Grown?" asks **Chester Burger** (page 17), President of the counseling firm CCI. Mr. Burger has some interesting answers to his provocative question. He digs into the account executive approach in agency practice and comes up with another formula which he favors.

Mr. Burger is a Contributing Editor of The Quarterly Review. A native of Brooklyn and a graduate of Brooklyn College, he came into public relations through the news department of CBS-TV. Prior to accepting the presidency of CCI he was a vice president of Ruder & Finn, Inc.

* * *

Is there anything new in community relations? **Edwin C. Kepler** contends that industry should re-examine its traditional view of its role and responsibility in plant communities, in order that its community relations position might be made more responsive to the deep seated problems of American communities. In "The New Scope of Community Relations" (page 23) he documents what he means, and offers fresh evidence for his thesis from his experience as Consultant, Business Climate Development for the General Electric Co.

The author, a veteran of corporate public relations with GE, is Executive Editor of The Quarterly Review. He has contributed various articles in past issues, including "Notes on Judge Clary's Opinion," (July, 1958) and "Samuel Adams, Master Propagandist," (April, 1958).

* * *

Don Colen's book essay (page 31) is entitled "Which Way to Mecca, Jack?" Through four new books, he surveys the probable course of the New Frontier.

* * *

The Index for Volume 5 of The Quarterly Review is on page 36 of this issue. Because of it, we are not able to run our recurring feature, Scanning the Professional Journals, by **Dr. Donald W. Krimel.**

* * *

It is with genuine regret that we have accepted the resignation of **J. Carroll Bateman** as a Contributing Editor. Mr. Bateman has aided mightily in the development of The Quarterly Review, both through articles he has written and wise counsel. He is General Manager of the Insurance Information Institute.

IN AND ABOUT THIS ISSUE • IN AND ABOUT THIS ISSUE • IN AND ABOUT THIS ISSUE

FEE BILLING: A RETURN FOR THE EFFORT SPENT

by ALFRED G. PAULSON

IN THE public relations field there is, as yet, no standard formula for setting fees. The most common method reported is the flat retainer fee. The disadvantage of this "all inclusive" fee billing method is obvious. If the practitioner sets a flat fee and the needs and exigencies of the program exceed his original estimate, he will wind up with a fee arrangement which is not enough to cover the cost of servicing the account. Many practitioners, therefore, have slowly begun to adopt the counseling fee plus time method of billing. In their transition from one method to another, they have run into the problem of how much should the fee be, what should it cover and how should personnel costs be computed. The advantages of this latter method are also obvious. It virtually assures the practitioner of a reasonable profit on his investment of time and personnel.

The interest in the sparse literature on fees indicates that the practitioner is looking for a billing system that will reward him with a fair return for his efforts. He wants a fee solution to his operating headaches that will permit him to assign to the account the right executives, support the program with adequate research staff and be free of worries about the financial success of his venture. The answer, of course, is not in the method used but in understanding what can reasonably be expected in fees from the services rendered.

Public relations firms, like any other business, are organized with the expectation of a fair return for the effort spent. To the client, the fees he pays will in the long run be determined by the results of the PR program. The practitioner, on the other hand, measures the public relations effort by the time spent by his staff in instituting the program for the client.

The successful fee arrangement, therefore, lies in satisfying both these needs: a fee which is a fair price to the client for the results obtained and, at the same time, adequate to reimburse the practitioner for the costs of providing the PR services.

To develop a satisfactory fee approach to his fee problem, the practitioner must meet two requirements:

1. He must maintain a reasonably accurate knowledge of his "costs" of operating a PR firm; what is more important, he must understand the relationships these expenses bear to one another; and
2. He must be capable of developing an accurate estimate of the amount of time to be devoted to the PR program by the personnel of his firm.

PR Fees—What They Are Made Of:

To explore the first requirement in the fee approach, let's look at what kind of expenses make up the operating statement of the PR Firm.

1. *Salaries of the Staff.* This represents the account executives, researchers, writers and specialists who work directly for clients. They are the people who under the system will be the foundation for determining the amount of fees to be billed the clients. In the case of each account, therefore, the fee will be expressed in terms of the salary costs of the executive assigned.
2. *Overhead of the business.* This includes the various costs of running the office such as insurance, depreciation, rent, stationery as well as payroll taxes and various other costs of the service departments such as accounting, personnel, reception and mail room. In the PR Firm, overhead also includes key management salaries and their representation and promotional expenses.
3. *Incentives.* This third element provides for bonuses to be paid out to personnel, profit sharing contributions, income taxes and the net earnings retained in the business for working capital and growth.

To illustrate the outline presented above, let us look at the PR Firm's statement of profit and loss. For purposes of this discussion we have assumed that salaries, overhead and incentives each equals one-third of the total income of the Firm. In actual practice, salaries of personnel will more likely equal one half of the total, and the incentive portion, at least in the medium sized firms, will be closer to ten percent.

When we look at the figures below, we begin to sense the significance of *salaries, overhead* and *profit* in making up the fee structure of the PR Firm. Once we understand the relationship of these three elements in the finances of our business, then we can discuss intelligently any of the fee billing combinations we are familiar with and be ready to present to the client the system which is acceptable to him and his budget. Thus, the

practitioner who is familiar with relationship of salaries, overhead and profit objectives in his own firm would not hesitate to say to a client, "My fee for handling your job will be equal to three times the salary I have to pay to the executive on the account. The fee, in addition to the executive's salary, reimburses me for a portion of my own salary and a proportionate share of the expenses of operating the mail room, personnel, reception and accounting. After paying for all these expenses, the fee also leaves me a small provision for year-end bonuses and a small profit after taxes."

PR FIRM
Statement of Profit and Loss

Fees collected from clients	$1,000,000	100%
Expenses		
Account executive salaries	333,000	33%
Management salaries and overhead	333,000	33%
Total expenses	666,000	66%
Incentives:		
Bonuses, profit sharing, income taxes and earnings retained in the business	334,000	34%

Probably the ideal method for billing a client is the one where the monthly fee is earmarked to cover senior management consultation, overhead and profit and the client is charged separately the actual costs of the staff personnel assigned to the account. Businessmen, however, have their own ideas about how they should be charged for these services and it is frequently up to the practitioner to design a fee system which dovetails with the client's budgets and paying habits. Very few practitioners are in a position of dictating fee terms to a client on a "take it or leave it" basis. Each firm must find the most acceptable method of billing which is suited both to the client and the kind of services the firm renders. Ultimately, the successful fee method is the one which reimburses the practitioner for his costs as determined by the staff hours spent on the program.

Matching Salary Costs to Client's Needs

In the case of the PR Firm, the practitioner has gained considerable insight into the business from studying its various costs relationships. He has also learned to remember that the relationships are based on the current financial condition of the business and that, as new clients and new personnel are added, new percentages of these relationships must be developed. The knowledge he has gained from the study of these relationships will not insure that all the fee arrangements he makes will be profit-

able, but has simply given him a target at which to shoot. The important thing is that he has information available beforehand about the financial consequences of the fee commitments he obtains from the clients.

Armed with the facts about the operating costs of his public relations firm, the practitioner can estimate the amount of fees he has to charge a client for carrying on a public relations program on a profitable basis. Now, the only unknown element in his computation is the amount of staff time it will take to institute the program outlined for the client. Through trial and error, however, he has developed a pretty accurate feeling for this kind of estimating. As soon as a particular program is outlined he has a reasonably good idea of whether it will require the services of less or more than one account executive's time to carry the program to a successful completion. He is also familiar with the salary costs of the personnel he will make available to the client. For fee estimating purposes, this can be in terms of $10,000, $15,000 or $20,000 a year executives. By putting these two facts together (time required and executive salary costs) the practitioner has no difficulty in arriving at the total salary cost to his firm for servicing a new account. Knowing also that in order for him to recover overhead, his and his partners' salaries and to provide incentives for the personnel in the organization and the business, he must quote an overall fee to the potential client of three times the estimated salary cost.

The Flat Fee

The flat fee system is the simplest and the one which is most prevalent in use. Clients seem to prefer this arrangement, probably as a precaution against what they fear may otherwise turn into a "blank check" arrangement. It is also the most inflexible and, because of this, the one which most frequently creates misunderstandings as to the extent of the services it buys.

When a prospective client asked the practitioner for a flat fee rate, he estimated it would take the services of a $20,000 executive to institute the particular program for the client. In another instance, he estimated that it would require the services of a full time executive at $20,000 plus the services of a specialist whose pro-rated salary would be equivalent to $5,000. In the past, his way of arriving at a fee was based on his own estimate of what the client was willing to pay, and once he even remembers setting the fee as a percentage of the pre-tax income of the client. Now, however, the practitioner had no problem in making a fee proposal to the potential client based on the time required for the job, as follows:

	Example 1	*Example 2*
Salary of full time account executive	$20,000	$20,000
Salary of specialist	—	5,000
Total Salaries	$20,000	$25,000
Fee proposal—3 times total salaries	$60,000	$75,000

Many clients, when confronted with these figures, will wonder why they should pay three times the cost of an executive whom they could have hired themselves. The practitioner can point to many reasons and their advantages for this mark-up. Included in the fee, first of all, is the time which the firm's top management will devote to the PR program; they contribute an objective outside point of view in preparing the program which the client's own employee, working inside the client's organization and executive hierarchy, would never be able to provide; it also places the burden of finding the right man, or group of men, on the practioner and his firm and not on the client. Secondly, the fee covers in most cases the investment in available specialists and researchers to do specific assignments for the client, as well as many service departments which, in a sense, would have to be included as additional overhead expenses of the client who maintains its own public relations staff. The most important contribution to the client is, obviously, the independent judgment offered by the senior personnel of the firm in formulating the PR program.

Knowing what to charge does not mean the client will agree to the fee as proposed. Ultimately, flat fee arrangements are compromised, based on the prestige of the practitioner (minimum fee rates), the scope of the program and what the client can or thinks he should pay for the services he needs. Whatever amount is agreed upon which is less than the estimated optimum results in a reduction in the "incentive" portion of the formula. Both salaries and overhead will remain the same, so that the incentives will be reduced by the same amount by which the optimum fee is reduced. Frequently, the time spent is more than the total hour program which was originally designed for the client and the practitioner is forced to devote more time than estimated to the job which, again, results in a reduction in bonuses, taxes and earnings. The client expects to receive this additional effort under his flat fee arrangement. The practitioner should make sure the client understands what the flat fee covers and that services in excess of the initial program are to be covered by additional fees.

The Counsel Fee Plus Salary Costs

The practitioner is aware that some clients prefer to be charged only on the basis of the actual time devoted to the account, and he is prepared

to make his proposal on the basis which is acceptable to these clients; the psychological effect of his proposal, *doing it the way the client likes it,* is one of the forces which will make for a continuing happy relationship with the client, at least as it pertains to the area of billing.

If a client prefers to be billed on an hourly basis, the practitioner can give the client an hourly billing rate equivalent to three times the hourly salary cost to the PR Firm of the executives and researchers assigned to the account. As you see, he never forgets about the three building blocks that make the fee structure: *salaries + overhead + incentives.*

The three times salary concept on an hourly basis, however, results in rates which to most clients are high for the activity which the hourly charge measures. The practitioner agrees with this reaction by pointing out that the rate also includes a proportionate share of the salaries of key management personnel who will devote their time to counseling with the client and formulating and supervising the overall PR program. The client will agree he should be charged for these services, and that the fees should also include a reimbursement for all the other overhead expenses of the PR Firm as well as a small profit. After all, the client's pricing policies have always included an element of profit and he expects PR firms to do the same.

Consequently, the practitioner and the client agree with the argument that a fixed counseling fee in addition to correspondingly lower hourly rates has a lot of merit. The question then is, how much should the fee be and how should the direct hours spent on the job be billed? At what rates?

Obviously, there are many ways in which this can be done. Remembering the three times salary concept and sensing what the client has in mind as a reasonable fee for the top counseling they anticipate, the practitioner can present a fee and time billing proposal so that the salary of the personnel is billed at 100, 150 or 200 percent of the salary cost to the PR Firm. The counseling fee would be equal to an amount that when added to the salary billings would amount to three times (300%) the salary cost. Let's take the assumptions we made under example 2 when we discussed the flat fee arrangement.

The following analysis will show us how to estimate an optimum fee that will recover a proportionate share of the firm's expenses and leave an equal amount for incentives, taxes and surplus. It also explains that once this total optimum amount is known the practitioner can select a number of ways to obtain the same amount of fees. In actuality, practi-

tioners who use the time billing system follow one way of billing a client, such as a $50,000 counseling fee plus hourly rates computed at 125% of the salary costs. The counseling fee within each firm generally varies in direct proportion to the size of the account. It can be $25,000 or $75,000 depending largely on how much management time is devoted to the client.

	Salary Billing Rates		
	100%	*150%*	*200%*
Salary of Execuive at a cost of $20,000	$20,000	$30,000	$40,000
Salary of specialist at a cost of $5,000	5,000	7,500	10,000
Counseling fee:	$25,000	$37,500	$50,000
2 times salary (200%)	50,000		
1½ times salary (150%)		37,500	
1 times salary (100%)			25,000
Total counseling and time fees (300%)	$75,000	$75,000	$75,000

Fees and the Marginal Income Concept

It should be pointed out that in our analysis of the PR Firm and the fee proposals of the practitioner, there was no indication at any time of a change in the relationship between salaries, overhead and incentives. At all times in our discussion, each one represented one-third of the total fees. In actual practice, however, some of the operating expenses increase in direct proportion to new accounts while others remain fixed, at least during a relatively long period of the firm's growth. In other words, when the practitioner accepted the new $75,000 account, he also contracted for PR Firm to increase salaries by another $25,000, but there was no significant increase in the firm's overhead. What happened was that junior executives had to double up in one office to make room for the new executive; there was no proportionate increase in the number of partners or senior executives, rent, electricity, mail room, accounting, etc. The present managerial administrative staff was adequate to handle the new account without any significant increase in general and administrative expenses.

What was, then, the result of adding a $75,000 fee determined on the three times salary concept? Let us take PR Firm and look at its profit and loss statement before and after the new account was brought into the house:

	PR FIRM				
	Before			*After*	
	Amount	*%*	*New Account Added*	*Amount*	*%*
Fees	1,000,000	100.0	75,000	1,075,000	100.0
Expenses:					
Salaries	333,000	33.3	25,000	358,000	33.3
Management salaries and overhead	333,000	33.3	—	333,000	31.0
Total expenses	666,000	66.6	25,000	691,000	64.3
Incentives: Bonuses, Profit Sharing, Taxes and retained earnings	334,000	33.4	50,000	384,000	35.7

The above table shows that when fees were increased, there was a corresponding increase in salaries but not in overhead. Consequently, the relationship of salaries to fees was maintained at 33.3% but it decreased to 31.0 in the case of overhead. The extra amount of fees which we presumed would cover additional overhead actually resulted in additional incentives so that it now stands at 35.7 of all fees.

This comparison points to the marginal income concept which is so widely used in manufacturing pricing decisions. This technique, of course, is also available to the PR practitioner. The preceding analysis tells him that the marginal income of $50,000 (total fees less direct salary cost) is in excess of the fixed expenses (overhead) for the period and that it therefore becomes a profit in that period. It tells him that for every dollar of additional fees the PR Firm has a 66 cent profit.

This condition is temporary, however. As soon as other PR projects are terminated, the fees and incentives will drop but the expenses will remain relatively constant and vice versa. What will be the asking price when these changes are taking place? My guess is that the practitioner will continue to make fee proposals on a three times salary basis. He knows that eventually managerial salaries will increase, promotional expenses will grow, new leases with increased rentals will be considered, new administrative personnel will be added, and that, as knowledge of the young PR field grows, additional new types of unbillable staff services might be added, etc. He has gained a lot of hindsight into his pricing decisions by

knowing what his marginal income is; he has much more leeway in offering available services to non-profit charitable institutions and companies in particular industries at such bargain overall fee rates as two times the salary, instead of three, of the executive on the account. He knows that even at the two times rate he is recovering his salary cost and that all the rest, for a very short time at least, is marginal income.

Conclusion

Clients who prefer the flat fee rates probably do so because of their own internal budgetary limitations or prior experience in the field. Their monthly payment is measured against the month by month result they are getting from the program. Clients who accept a counseling fee plus time billing seem to have the advantage in that they retain more flexibility in controlling the public relations dollar. They can elect to increase PR activity when it is advantageous to do so at increased time costs but with no change in the counseling fee. On the other hand, clients can retain counseling services by the senior group of the PR firm, but cut down on the time billing because of a reduction in the need for "nuts and bolts" public relations activity during the period.

The various billing alternatives discussed in the preceding paragraphs attempted to make one point clear: that to obtain an adequate reimbursement for the PR effort, the practitioner must know how much it costs him and how much time it takes him to provide public relations services.

In actual practice, practitioners do not discuss with clients the many ways they can bill for their services and still wind up with the same overall fee. PR firms do not consider it wise to have a multitude of different fee arrangements. Their fee and hourly rates are pretty much a matter of record and will vary only in relation to the scope of the program or prestige of the individual practitioner. Clients, also, have their own idea as to how much PR counseling is worth to them, and what is a reasonable hourly rate for the staff time.

The PR practitioner's cognizance of the various methods of arriving at fees gives him a clearer understanding of his financial responsibilities in offering services as well as of the staff commitments he makes on behalf of the firm. The PR firm may continue to sign certain clients at a total fee which is less than its formula optimum. But it will do so on the basis of the long term prospects and with complete awareness of the financial consequences of the decision. ●

THE FINE ART OF LEVERAGE

by WILLIAM L. SAFIRE

DREAMILY, the financial wheeler-dealer wishes margin requirements would go down so that he "could just have a little leverage."

Hopefully, the lightest hitter of the ball team chokes up on his bat "just to get a little leverage."

Disconsolately, a philosopher of the past century wrote of the evil men of his time: "With regards to such men, a moralist has no leverage whatsoever."

Leverage, it would appear, means many things to many people . . . but whatever it is, it is in demand. And a little goes a long way.

In the field of public relations, "leverage" also has a special meaning that has been developed into a fine art.

. . . When a little company with a lot of imagination places itself in such a position that a lot of big companies want to latch on to the little company's cause . . . that's PR leverage.

. . . When a big company is able to swing an entire industry behind it in a fight for some principle . . . that's PR leverage.

. . . When an industry, a union, a university and the local Rotary all find themselves in bed together on some special situation . . . somebody has been practicing PR leverage.

In a nutshell, PR leverage is the determination and activation of hidden sources of strength; the man who undertakes it is often amazed by the number of different groups who have a vested interest in any cause under the sun.

PR men who have put their clients in leverage positions can actually point to something the client has received for nothing: support, often worth thousands of dollars, that promotes a service or product or principle, and has seemed to materialize out of thin air.

The Principle of the Lever

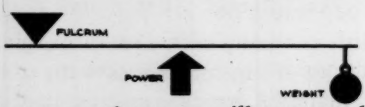
How is it done? Specific examples will be given later in this article, but first it is necessary to understand the Principle of the Lever. It takes only a few moments to grasp the theory.

In Mechanics, a lever is the name for a rigid structure of any shape (normally a straight bar) fixed at one point called the *fulcrum,* and acted on at two other points by two forces. The force to be resisted by the use of the lever is called the *weight,* and the force applied for this purpose is called the *power.*

Levers are said to be of the first, second or third order, depending upon whether the fulcrum, the weight or the power is in the middle. This can be simply illustrated, with the arrow representing the *power,* the little triangle standing for the *fulcrum,* and the hanging ball the weight, thus:
First order:

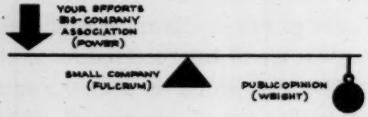
With the weight in the middle, you have the second order:

With the power in the middle, you have the third order:



You now know more than you will ever need to know about the Principle of the Lever. Let us apply that knowledge to PR Leverage; public opinion is now the *weight,* your own efforts the *Power,* and the *fulcrum* changes in each situation.

Take PR Leverage in the First Order. In this case, you have a small company that wants to take a leadership position in its field, and needs to associate itself with big companies in other fields to help establish its stature. The small company then becomes the fulcrum and the diagram looks like this:



Some Case Histories

In practice, this is how it works. A homebuilding organization, named All-State Properties, Inc., freshly out of its public issue and listing on the American Stock Exchange, needed some dramatic project to quickly become known as a leader in its field.

Through their PR counsel, they secured the opportunity to build the "typical American home" at the American exhibition in Moscow in 1959. A press conference was held showing plans for the home (dubbed "Splitnik") to which Tass and Pravda reporters were invited. As expected, the Russian reporters called the $11,000 house "as typical as the Taj Mahal" and a controversy was on. Quickly, the house became the focal point of the Exhibition—against publicity competition from some of the largest corporations in the USA.

Then the leverage began. General Electric, which supplied All-State with most of its kitchens, had only expected to donate a kitchen for the Moscow house. But when the house became so important, they were asked to step up their publicity and trade advertising programs. The Alliance Ware division of American Metal Products, which delivered the bathroom, did the same. The trade association to which All-State belonged, the Community Developers Council, took on the cause and denounced the Russians while supporting—and publicizing—their own member.

Most important was Macy's, who had agreed to furnish the house. Their advertising PR people caught the significance of the project long before it became obvious to the other large companies, and they stayed on top of it all the way—from window displays to full-page ads in the New York papers when Nixon and Khrushchev held the famous "kitchen conference" in the "typical American home."

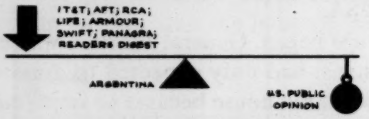
It was easy for All-State to merchandise this publicity into home-sales in each of its localities, with replicas of the house drawing crowds to their projects.

Thus, by utilizing itself as a fulcrum for the efforts of many large corporations, the small company reaped results far beyond what they could have generated alone. Almost overnight, All-State became one of the best-known U.S. homebuilding organizations—and the cooperating big companies were delighted with their own participation.

Before we leave the First Order of PR Leverage, we can examine how a large enterprise—in this case, a nation—can use itself as a fulcrum for the efforts of a number of smaller enterprises to lift the weight of public opinion.

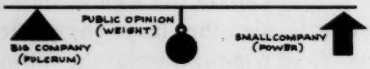
The President of Argentina was scheduled to visit the USA in 1958. Before he arrived, the PR firm retained by the Argentine Republic called in the PR heads of every large company who had business interests in that country. This included American and Foreign Power, I.T.&T., RCA, Panagra, Armour, Swift, the Readers Digest, Life International, Pfizer and a dozen others. The PR men were briefed on the schedule of events, given the advance press kit, and asked for their suggestions.

Naturally, a flow of Argentine-oriented stories began hitting the U.S. press from all these sources before, during and after the President's State visit; a staff of eight PR people had been effectively expanded to a staff of 200, each with a legitimate self-interest pressing down hard on the fulcrum provided by Argentina. Diagrammatically, this is how that looked:



There you have two variations of the First Order of Leverage—the fulcrum can either be a small or a large organization, taking advantage of the resources of a group of organizations with similar goals. How does the Second Order work?

In this case, a small outfit uses a big one as a fulcrum to lift the weight. It looks like this:



Example: A local radio program in Manhattan wanted to prove to its sponsors that it had a large and loyal audience, contrary to what rating services were saying. The show's producer went to the Chase Manhattan Bank with an idea: "Do you fellows realize that it was Salmon P. Chase, Lincoln's Treasury Secretary and your founder, who was responsible for the inscription of 'In God We Trust' on every US coin?"

The bank people replied that they were aware of this, and what about it? Said the producer: "How about you designing a small folder telling the story of how 'In God We Trust' landed on our coins, into which you can slip a silver dollar. We'll tell our listeners to bring their old, wrinkled dollar bills into any of your branches for a shiny new silver dollar in an informational folder."

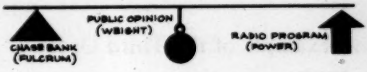
The bank, with an eye to some additional traffic into its branches and a nice institutional note about Salmon P. Chase, agreed to assume the

expense of printing the booklets, and getting and distributing the silver dollars.

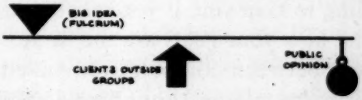
The radio program then began a drumfire series of spots that almost made it seem like paper dollars were going out of fashion. Within a week, the program received a friendly letter from the bank asking them to call off the whole thing, that 10,000 silver dollars had already been distributed and New York was cleaned out of silver dollars—the response was just too strong.

The program was quickly able to prove to its sponsors that its audience was both large and responsive—and the people down at Chase really didn't mind all the excitement, since it meant a lot of new customers.

This is the way that Second Order of Leverage looks in diagram:



You will recall from your mechanical knowledge of leverage that there is a Third Order, with the power in the middle. In this Order, which it usually the most imaginative and trickiest to handle, neither the client nor the associated organizations is the fulcrum. They both get together to provide the power while the fulcrum becomes a Big Idea. It looks like this:



Best recent example of this is a project of The Lionel Corporation, largest manufacturers of model trains.

It occurred to Lionel that they had a natural ally in the Association of American Railroads, which disseminates educational comic books and other information to youngsters about railroading. Also, the New York Stock Exchange has always been willing to cooperate with any of its listed members which wants to educate young people about public ownership of American business.

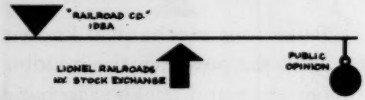
The "Lionel Rail Road Company" was born. It is a fictional, educational company that will issue a share of "stock" to any kid under 16 who expresses an interest in model railroading, whether he owns a train set or not, or whether that set is Lionel or not. The kid "stockholders" receive information prepared by the Association of American Railroads about railroading, and booklets prepared by the New York Stock Exchange telling simply about public ownership and free enterprise. They vote for

directors (all under 16), send in irate letters to the company president complaining about their kid sisters' meddling with their sets, and will attend regional "stockholders meetings."

It is one of these warm, good-humored projects that everybody is glad to be associated with, and individual railroads from the Pennsylvania to the Erie have pitched in locally. With hundreds of thousands of applications for membership being distributed with each train set sold and each catalog handed out, the membership can be expected to mushroom over the years.

The Lionel people have scrupulously kept the project free from any taint of commercialism—but an increased interest in railroading on the part of the nation's youngsters is not going to hurt the largest manufacturer of model trains.

Here is how this example of the Third Order of PR Leverage looks:



These examples demonstrate:

1. Your enemies and competitors are probably out in the open and you know who they are—but there are an awful lot of influential friends out in the bushes willing to help you, if you take the trouble to track them down and demonstrate how your goals are the same.

2. Cooperation between companies involved in a single story is nice, but it's not what we're talking about here—only a program with responsibilities agreed upon and budgets drawn up can be considered PR Leverage.

3. No matter how big you are, you can use the support of a lot of small organizations—and no matter how small you are, you can mousetrap an idea or approach that will have the biggest organizations in the country beating a path to your door. (Realistically, you will have to beat the path to *their* door, but they'll buy the mousetrap if they have the same kind of mouse trouble as you.)

The next time you see a little old lady, with a gentle pressure of her finger on the end of an automobile jack, lift up the back end of a two-ton car, remember the power of leverage. In our business too, very little pressure in a leverage situation can lift great weights.

Imagination is the real fulcrum. As Daniel Webster said in dedicating the monument at Bunker Hill: "The human mind is the great lever of all things." ●

WHY HAVEN'T PR AGENCIES GROWN?

by CHESTER BURGER

THE booming growth of public relations activity in the years since the close of World War II has not been accompanied by a corresponding development of strong public relations agencies.

The number of people presently employed in public relations work is approximately 100,000 according to estimates by *Public Relations News,* but it is doubtful that more than 25,000 were employed in 1946. Since that year, the number of listings under "Public Relations Counselors" in the Manhattan classified telephone directory rose from 259 to 685.

Despite this over-all growth, public relations agencies have, by and large, remained surprisingly small in size and fragmentary in organization. Fifteen years after the end of World War II, the two agencies which then were the largest in the country, remain in the same position, hardly, if at all, larger than they were in the immediate post-war years. A few vigorous newcomers have attained substantial size, but at the same time, others have slipped. Today, it is probable that not more than five or six public relations agencies in the United States employ more than one hundred people.

Perhaps another half-dozen employ between fifty and one hundred; lack of reliable statistics makes it difficult to estimate precisely. Below the 50-mark, agency size falls off rapidly. Probably most of those 685 listings in the Manhattan telephone directory represent fewer than half a dozen persons. The picture is the same in other metropolitan areas.

Why is this so? Why have public relations agencies failed to become more substantial operations during a period when, for example, advertising agencies have been both proliferating in number and multiplying in

size? Between 1946 and 1960, *Advertising Age* tells us, the number of large advertising agencies in the United States billing $10 million or more grew from 31 to 85. Many agencies also grew tremendously in size. McCann-Erickson, Inc., for instance, increased its staff from 1,350 to 4,230 employees during the '50's while its billings were increasing some 407%.

Reasons for Lack of Growth

To determine the reasons why public relations agencies generally have not shared this growth, we must, in the first place, analyze why corporations, trade associations and other organizations retain agencies for public relations work, rather than rely entirely on internal staffs. Against this standard, we can then measure whether public relations agencies have met "the needs of the marketplace."

Six reasons why outside agencies are retained are:

1. Management has not previously conducted a formal public relations program. It lacks experience in selection of personnel, in preparation of a program, and in press and other contacts. Retention of an outside agency provides such experience at once, and this may later be applied to the organization of an internal public relations department.

2. Headquarters may be located away from New York City, the communications and financial center of the nation. The organization finds it costly and inefficient to send staff public relations men to New York to meet personally with editors, writers, broadcasters, financial analysts, and others whose favorable opinions are important to their standing. Selection of a New York public relations agency solves the problem, since the agency can meet conveniently and economically with all of these contacts.

3. A good agency maintains regular contacts with many important individuals and keeps its contacts up-to-date. Larger agencies maintain regular contacts not only in New York but also in Hollywood and other cities. Personal relationships are frequently long-established. Corporate managements sometimes believe it will be more efficient and effective to "ride along" on these developed agency relationships rather than to initiate and try to maintain new ones on the same regular basis.

4. Selection of an outside agency provides the services of experienced executives who would be unwilling to move to other cities or whose salaries could not be afforded by a single organization's public relations department. The agency, by spreading the cost of senior executives among a number of clients is able to provide skilled counsel which otherwise would be almost unobtainable.

5. An organization with a well-established public relations department seeks additional, specialized services. A plywood company may require financial public relations counsel. A sporting goods manufacturer may seek expert help in promoting its products to women. A university may wish to have a study made of its public relations problems. A trade association may feel it needs special help in reorienting its communications program. An automobile manufacturer may seek to broaden its appeal from the "high-fashion" field to a mass market—or vice versa!

6. Particularly in crucial matters of over-all policy, management seeks an independent, outsider's opinion. Just as many a president or board chairman has found it difficult to obtain objective and forthright judgment from an "inside board," so management recognizes the desirability of securing guidance from one whose judgment is not warped by undue dependence on his employer.

Why Few Agencies Have Met the Test

It is safe to conclude that if public relations agencies provided such services and their price and quality were right and their availability known, the agencies would have grown during recent years. Certainly the need has grown, but apparently, relatively few agencies have met the test.

It is not too difficult to find a number of reasons why.

Most public relations agencies, as indeed most businesses generally, began as the creation of a single man. In the public relations field, this man usually was what might be described as "a promotional type." He was bright, intelligent, creative. He originated ideas. He could communicate forcefully. He was likeable—by the press, as well as by prospective clients. His first client usually retained him to produce publicity. He served his client with his own brain, his two feet, his own two hands—on his typewriter. When he added a second client, or a third, he hired a young assistant, usually a reporter just off the police beat on the local newspaper.

As his business grew, he and his assistant divided the clients, each assuming responsibility for one or more. More clients meant more assistants, called account executives, and his organization expanded horizontally.

Today, this remains the basic structure of most public relations agencies, modified only by unplanned deviations where particular clients could not be served in the traditional pattern.

One cannot gainsay the advantages in dealing with a single person, but it properly may be asked whether any one person is qualified to plan, conduct, and evaluate an entire public relations program.

Problems of the Single Account Executive

Consider whether a single account executive, however skilled, can be equally adept at developing ideas for consumer magazine publicity and preparing a presentation for a client's talk to a Society of Security Analysts. Narrowing it down even further, is it reasonable to assume that the same talented individual can be equally qualified at writing publicity material for television women's programs and for producing news clips on film for network news programs? The answer to this question properly can come from network and station program staffs; they affirm that most of the material they receive from public relations people is unsuitable in nature or unsatisfactory in quality. It is equally safe to speculate that the "single person concept" of agency organization causes much of the editorial frustration and discouragement with which editors regard public relations men.

But mediocrity and poor quality are the results of this organization when it operates at its worst. There is another side to the coin. When the single account executive possesses unusual professional skill and provides the client with a high caliber of professional services, the agency's client soon becomes instead the account executive's personal client. Having become accustomed to the services of a single man, instead of to the agency's services, the client soon properly wonders why he needs the agency. Why should he pay the agency's overhead? Why should he pay his share of those specialized services which he never receives? Why should he pay a share of the agency's new business expenses? Soon, he suggests to the account executive that if the executive would care to leave the agency and go into business for himself, he could take the account with him, at a lower fee, of course, but nevertheless more profitably to the executive.

Indeed, when this occurs as it so often does in the public relations business, the agency is only reaping the harvest of the whirlwind it sowed perhaps years before when it organized its services around a single account executive.

The Alternative

The alternative to the "single person concept" is not unknown or mysterious; it already exists on paper on the organization chart of many public relations agencies. Many is the agency which proudly presents elaborate structures showing "television departments," "placement departments," "financial departments," even "merchandising departments." In actuality, it is a different story indeed.

For the organization of an agency along departmental lines presents many difficult problems. If the placement department is responsible for producing publicity, what will be left for the account executive to do? Who will provide the ideas, the creativity? Who will control whom? Who will screen out the impractical ideas before the placement specialist ends up in unproductive frustration? Who will provide creative supervision for both? And who will determine how an agency can profitably provide such specialized services?

In developing our own organization at CCI, we have drawn heavily on the experience of a number of our own executive personnel in managing elaborately departmentalized public relations operations for a number of leading corporations. We have also profited from the extensive experience of McCann-Erickson Advertising (U.S.A.) Inc., our affiliated advertising agency.

Concept of the Account Executive

We regard the account executive as essentially a manager and counselor. His responsibilities include the basic program planning and maintenance of close relationships with the client. These relationships are defined not as "hand-holding" or entertaining but as gaining an intimate knowledge of our client's business problems. His knowledge of the client company should be so thorough that, in a sense, he considers himself "on the client's side," rather than at the far-end of an "arm's length" relationship.

The account executive burdens himself with the responsibility of insuring that the public relations program properly contributes to solving the client's problems. His also is the responsibility of insuring that projects are executed on schedule and skillfully.

Finally, the account executives are charged with the responsibility of making the operation profitable. This is facilitated by providing them with detailed financial information on the agency's contractual arrangements and costs. In this way, each account executive knows how much manpower can be assigned to service each client within the framework of profitability. And each is also provided with frequent statements of the time charges incurred by staff members serving their accounts, so that they can increase or decrease such supporting services as necessary.

Some public relations agencies which have experimented with specialized departments have met with failure because account executives

objected to the time charges of specialists against their clients. To avoid this problem, we have established our own on a voluntary basis. Each account executive is authorized to decide for himself whether he wants to use a particular specialized service or to perform the function himself. With the element of compulsion removed, account executives are more readily inclined to request specialized help when they need it.

In the same manner, the heads of specialized departments may accept or reject assignments from the account executives as they wish. This prevents the "unloading" of impractical assignments onto those who believe that they will be unable to produce the desired results. Such voluntary arrangements quickly eliminate any feelings of subservience or jealousies between executives and specialists.

Two Answers

What, then, is the incentive for the successful operation of such a staff organization? The answer is two-fold.

From the account executive's viewpoint, the more he can utilize skilled specialists, the more successful will be the execution of the program, and simultaneously, the more time he will have available to manage and counsel his client and others which he may thus be enabled to add.

From the specialist's viewpoint, the better his own performance and the more productive his results, the more assignments he will attract from individual account directors. Increasing work loads will result in increased staff for his department, increased budgets, and greater rewards for himself.

Such also is his own incentive for efficient performance; because excessive time-charges, lack of results, etc. will soon result in diminishing assignments, in effect putting him "out of business."

A system of this type provides a client with agency services in depth. Only by providing such services can public relations agencies share in the growth and development of the entire public relations field. For an agency, properly functioning, can indeed render services to corporate clients which no individual can provide. Such a system also significantly alters employment opportunities. For the first time, desirable jobs have been created for both the generalist and the specialist within single agencies.

Our own experience convinces me that any agency, whether small or large, can profitably measure its operations and organizations against the developing needs of the new decade. Such an analysis will point the way toward abolition of the "one man expert" who has been largely responsible for the lack of growth of public relations agencies. ●

THE NEW SCOPE OF COMMUNITY RELATIONS

by EDWIN C. KEPLER

COMMUNITY relations practices of business firms are gaining in scope and broadening in purpose as the realization grows that a favorable community environment is of critical importance to the success of local business enterprises. The change is evolutionary but clearly evident.

Community relations is the post-World War II baby of public relations parents. In line with the general public relations objective of gaining acceptance and good will (by "doing right" and "telling about it"), early community relations programs typically set out to help a company become known as a good employer, a provider of good jobs, a good neighbor, a heavy taxpayer and a purchaser of local products. Except for a lack of what came to be called "economic understanding," no criticism of the community—or, for that matter, not much concern about the community—was implied by an ordinary community relations program.

To implement the objectives of early community relations programs a battery of so-called techniques were devised. The list is familiar: open houses, civic leader mailings, speakers bureaus, business-education days, community leader luncheons, plant tours, dedication and anniversary celebrations, programs for special publics (clergy, doctors, public officials, etc.) and Junior Achievement. At the same time, businessmen stepped up their personal participation in Boy Scout work, fund raising drives, school affairs, local philanthropy and other such worthy fields.

In fifteen years these orthodox community relations activities have lost some of their freshness, but they remain sound and useful. When used within the context of the new approach to community relations, they may be more purposeful and effective than ever.

If a date must be set when the new approach began to take visible shape, 1950 is probably a good guess. That is the year Louis B. Lundborg, a vice president of the Bank of America, published a book[1] in which he

suggested the possibility of going beyond the "passive activities" of orthodox practice to take "positive steps" in helping "the people of the community in the undertakings that are important to them."

His conception was bold, but his suggestions for implementing it were somewhat less so. He suggested, for example, lending company facilities for community activities; using show windows to promote community drives; producing manuals and literature for clubs; and assisting local schools in adult education.

Community Development Adds Scope to CR

A forthcoming publication of the Bank of America, written by Richard M. Oddie, Director of Area Development Services, dramatizes the leap forward that can be made in community relations interests. *The Community Improvement and Economic Development Guide,* written "for people who care about the environment in which they live and are willing to do something to improve it," outlines action methods in matters that are really important to a community: land use, local government, taxes, education, transportation, area planning, urban renewal, and many others. The *Guide,* in effect, is a comprehensive expression of the wide interests and advanced procedures that characterize the new scope of community relations. It champions community development and the efficacy of broad citizen participation.[2]

Community development is the field which affords new scope to the community relations programs of business and industry. The term refers to the development of a community's resources, human and material. The work involves programs to improve the physical aspects of a community, its services and its facilities. More than that, community development is concerned with group relationships, problem solving processes, and the resultant quality of community life.

The new approach to community relations does not mean changing the basic relations formula of doing right and telling about it. But it does prompt a company to take the spotlight off itself and focus it in a constructive way on the community. It means keeping peripheral community activities in perspective and giving primary attention to those conditions and problems that are most significant to the future of the community as a place to work, rear children, do business and enjoy life.

The Need to Strengthen American Communities

The painstaking investigation prudent companies make into every aspect of community life before selecting a particular town or city as the

[1] Louis B. Lundborg, *Public Relations in the Local Community;* New York: Harper and Brothers, 1950. p. 137 ff.

[2] Write, Bank of America, Area Development Services, 300 Montgomery Street, San Francisco, California.

location for a new facility eloquently suggests the importance attached to community environment as a factor in business success. The question follows, what shape are American towns and cities in? Anyone who has taken a good look in recent years knows that many are not in good shape at all. What ails them? Various things.

Some, for example, suffer from crowding. In some cities automobiles congest downtown streets so badly that during rush hours pedestrians outdistance motorists. To escape crowding, commuters sacrifice valuable hours of their lives travelling, as someone put it, through a long tunnel stretching from weekend to weekend.

Crowding helps create slums and the conditions that breed crime. It is wasteful and costly. In one Eastern city the cost of providing municipal services to crowded slum areas amounted to 46 per cent of the city's expenses, while taxes derived from those same areas amounted to but 6 per cent of the city's revenue. The burden of slums falls on the backs of taxpayers who live or do business in other neighborhoods.

Problems of Rural Communities

A number of rural communities have a problem of another sort. Their economic base is crumbling. Gross farm income today accounts for less than 10 per cent of the total national income, and net farm income accounts for less than three per cent. Many rural cities and towns that existed largely to serve farmers must now either find a new economic base or go into decline. In the past four years, for example, Whiting, Iowa, population 800, has lost its hardware store, auto agency, farm-machinery dealer and movie theater. Other towns have lost doctors, barbers and railroad service.

When a community or a neighborhood deteriorates, serious economic losses are the inevitable consequence. Unless the trend is reversed, property values go down, tax revenues decline, local markets shrink, employment falls, profits slip, and at the same time relief costs, welfare costs, and the cost of police and other municipal services rise. When job opportunities decline, the bright young people and the skilled workers depart while the dull, the old and the unskilled remain. As deterioration continues, crime, vice and corruption increase, morale and civic pride sink, tensions and hostilities rise, and soon the community becomes known for what it is: a poor place in which to live, work, own property, or operate a business.

For economic reasons alone there is ample justification for the anxious attention business and industry are giving to the state of health of their local communities. The business climate of a community—the kind

of total environment it provides for business operations and for the people employed by business—has a major impact on the cost and desirability of operating a business within its bounds.

Building Blocks of Our Social Structure

But, in point of fact, the concern extends beyond economic considerations, important as they are. Communities are the building blocks of our social structure. Second perhaps only to the family, they are the social unit in which are fashioned a people's outlook on life. Our ideals, character, social philosophy and common attitudes stem in large part from the influences of our community environment. Communities are the training grounds of national leaders. And, since communities are where we spend our lives, they are in many respects the final proving ground of the merits of the American way of life.

As America has become an urban society (more than 60 per cent of us live in cities), the quality of community life has changed. Modern cities fail to provide many people with the personal recognition and involvement that is the necessary basis of viable community life. Many people do not participate meaningful in community affairs or organizations.[3] They come to feel that their individual worth is discounted, that only organizations can take meaningful actions, and that their personal fate lies in others' hands.

Does this explain in part why so many of our fellow citizens appear to devalue such qualities of character as self-reliance, initiative, personal responsibility, and individual enterprise?

If such qualities cease to be characteristic, can the economic and political institutions that were developed when they *were* characteristic remain effective?

And if these qualities are essential to the preservation of our institutions, what kinds of community activities and arrangements will help to inculcate them in an urban community?

These are searching questions. In their light, it is clear that community relations as practiced in the past by business and industry is not adequate. When a ship is taking water through seams in the hull, it is no time to sit around on the bridge polishing brass.

[3] For example, a comprehensive study of metropolitan Dayton revealed that voluntary organizations were kept going by one-fifth of the adult residents, while more than one-third did not hold even nominal membership in a single organization, excluding church membership. Seven out of ten did not participate in civic affairs in any way except that four of the seven had voted. See, *Metropolitan Challenge,* Metropolitan Community Studies, Inc., Dayton: 1959.

Community Development: The U.S. Chamber's Response

The physical aspects of community development have been a continuing interest of the Chamber of Commerce of the United States for more than a decade. With a view to encouraging local Chambers and businessmen to exercise local initiative in solving urban development problems, the National body has held conferences in various cities, published literature of various sorts, and adopted policy declarations in favor of local action rather than Federal programs.

Perhaps the most promising contribution of the Chamber is the work of three committees,[4] in conjunction with the Construction and Civic Development Department, which developed a set of seven pamphlets called the *Community Development Series.*[5] The pamphlets reflect a realistic, objective view of the subject. They are broad in treatment, thoughtful in tone, and up to date in the methods and procedures they recommend.

In the pamphlets, the Chamber moves in the direction given to community development by academicians and by those working on the international scene.[6] Both emphasize the adult education aspects of the work. Their intent is not merely to solve the immediate problems of the community, but in the process to teach people to communicate with one another, to work together, to think creatively about community affairs, and, if a cliché is permissible, to make democracy work.

Another Response: Community Business Climate Improvement

General Electric Company and certain other corporations and organizations have developed still another response to the need for a new approach to community relations. It is known as community business climate improvement (CBCI), and it has been in operation since 1956.

Business climate is defined as the net result of all the environmental factors (social, economic and political) affecting the cost and facility of and affairs which affect business operations. Community business climate improvement is not a "do good" activity. The companies that engage in it make an investment of time and money that is expected to prove worth making.

But there is another side to the coin. Just as it pays a community to help keep its local economy thriving, so, too, it pays a business to be a

[4] Construction and Civic Development Committee, Special Committee on Metropolitan Growth and Advisory Council on Urban Development. James F. Steiner, Manager, Construction and Civic Development Department, serves as Secretary of each of the committees.

[5] Sets may be obtained from: Construction and Civic Development Department, Chamber of Commerce of the United States, 1615 H Street, N.W., Washington 6, D. C. $3 per set.

part of a healthy community. In practice, the chicken-and-egg question of whether one first improves the community by strengthening the local economy or vice versa, does not arise. A typical community business climate improvement program undertakes both simultaneously.

In effect, therefore, there is little practical difference between a community development program and a CBCI program. A look at a few of the problems tackled by various of the CBCI programs in different cities makes the point. In several communities, for example, urban renewal is a business climate improvement goal. Improved parking, better highways, better housing, and improved parks and recreational areas have been listed in various CBCI programs as goals. Traffic studies, higher teacher compensation and a sanitary fill method for the local dump are others. So are a new airport, a technical school, and a college campus. All goals such as these—and many more might be cited—may be classed as community development goals.

Misconceptions on Standards

How are such goals established? There seems to be a misconception that someone (notably General Electric) has a set of standards by which every aspect of a community's business climate can be measured down to the last detail. Such a notion presupposes that someone has developed an idea of an "ideal" community against which to measure all others. That is obvious nonsense. Communities are too diverse, and the precise bearing particular environmental conditions have on business operations are too little known to attempt to draw up a uniform set of business climate standards for all communities to meet.[7]
doing business. These, in turn, affect the ability of business to contribute to the prosperity and well-being of the community.

Essentially, a good business climate is a social and political environment conducive to industrial and commercial growth and vitality—and to community progress and prosperity.

The term "business climate" is sometimes criticized as lacking wide appeal. The question is raised, why not use a euphemistic term that would be more disarming? The answer provides an insight into the meaning of the business climate concept.

[6] At least 36 universities and colleges in the U.S. and Canada have field or instructional programs in community development. Internationally, community development in underdeveloped countries has become one of the most vigorous and critical contests of the cold war. Those working in this field, along with other kinds of technical assistance specialists, are the missionaries of the industrial age.

The answer is simply that "business climate" is a term which honestly and candidly connotes a primary interest in those problems, issues

In broad terms, however, factors that make a business climate favorable may be described. For example, among the ingredients of a good business climate are:

1. Qualified and responsive people to fill employment needs, and educational facilities as required to prepare people for a wide range of job opportunities.
2. Good employee-management relations, with equitable pay and benefits in exchange for full effort and skill on the job.
3. A friendly, open-minded attitude toward business on the part of local people and their elected representatives.
4. Honest and efficient government—supported by alert and well-informed voters—which levies fair taxes without unnecessary restrictive regulations or discriminatory burdens on any segment of the community.
5. Impartial law enforcement at all times.
6. High-quality community facilities, such as stores, banks, utilities, transportation, hospitals, health institutions and commercial services.
7. A social and cultural atmosphere in which people enjoy living and working, including fine schools, churches, libraries, and theaters; a responsible press; and healthful recreational facilities.
8. On the part of community employers, a serious-minded assumption of their responsibilities as business citizens, as evidenced by consistently good employee relations and by a courageous leadership in civic and political affairs.

Improving Business Climate Factors

How are such business climate factors improved? In a CBCI program the problem areas to be improved are determined by research into the strengths and weaknesses of the community. Informed people who know their community well are surveyed and actual business experience is examined. Once a problem area is identified, it is studied intensively until its exact nature and underlying causes are known and a feasible plan of corrective action has been prepared. Then an action team is assigned to carry out the plan.

If that sounds easy, please do not be misled. There are many pitfalls along the way, and experience suggests that all but the most sagacious will

[7] General Electric and certain other companies do make business climate appraisals of communities that are under consideration as locations for new plant facilities. Each such rating is "tailor made" to match the particular requirements of the operations to be installed. Thus facilities for advanced technical study might be an important business climate factor to a company seeking a location for a research facility; the same factor might be regarded as unimportant by a company setting up, say, a foundry operation.

fall into one or several of them. Managing a CBCI program successfully is a challenging assignment, especially for businessmen who are not accustomed to working with volunteers under conditions as loosely organized as a community, with its many political undercurrents, subtle conflicts of interests, and communication difficulties.

There are skills involved in making a CBCI program a success. Certain procedures, methods and techniques will generally succeed and certain ones will generally fail. The point may appear obvious, but some programs have failed because their sponsors did not bother to learn how to run a successful program, which is somewhat like starting on a long automobile journey without learning how to operate the car.

No handbook or simplified instructions can teach the required skills, but with a handbook those who wish to teach themselves may get a good start. With this thought, General Electric Company has prepared a handbook called "Improving Your Community's Business Climate" which outlines recommended procedures and contains questionnaires for use in making the initial surveys.[8]

A community business climate improvement program is not a panacea for all community ills.

But it can help to knit a community.

It can cause a community to become more aware of itself: its particular strengths, resources, failings, needs, and possible future development.

It can demonstrate how important the growth of the local economy is to other types of community development—and how economic growth can be fostered locally.

It can show the advantages of self-help, local initiative, and voluntary action over so-called "consent democracy" wherein the government initiates proposals to solve local problems and the people's choice is limited to voting yes or no to cut-and-dried programs.

Finally, a community business climate improvement program can produce locally the leadership, the plans and the action required to deal successfully with significant community matters.

When these are accomplished, a community will be a better place in which to work, rear families, operate a business, and enjoy life. These are the ends of community relations in its new scope. ●

[8] Single copies available free. Write, Dept. Q, Community and Business Relations Service, General Electric Company, 570 Lexington Avenue, New York 22, N. Y.

BOOK REVIEW

- **PRESIDENTIAL POWER—THE POLITICS OF LEADERSHIP**
  By RICHARD E. NEUSTADT
  John Wiley & Sons, New York: 1960, 195 pp., $5.95
- **THE UNITED STATES IN THE WORLD ARENA**
  By W. W. ROSTOW
  Harper & Bros., New York: 1960, 539 pp., $8.75
- **THE PURPOSE OF AMERICAN POLITICS**
  By HANS J. MORGENTHAU
  Alfred A. Knopf, New York: 1960, 359 pp., $5.00
- **ON THERMONUCLEAR WAR**
  By HERMAN KAHN
  Princeton University Press: 1960, 651 pp., $10.00

WHICH WAY TO MECCA, JACK?

The liberal and the business man share a broad bed of interests, as Presidential Assistant Arthur Schlesinger, Jr. noted over a decade ago. Since then, eight years with Eisenhower have accustomed the business community to the welfare measures of the New and Fair Deal—the "built-in stabilizers"—that have become part of an irreversible social and economic transformation.

But eight years with Eisenhower have also narrowed appreciably business's available options. The pre-New Deal wisdoms are neither old-fashioned nor inadequate; they are simply irrelevant. With only a small fringe even contemplating a backward somersault into Herbert Spencer's Social Darwinism, reaction was been pre-empted altogether as a practical alternative.

The role of public relations in this transition has been to tell the business story competently and effectively primarily because it has concentrated more and more on helping its "clients" understand and achieve

the qualifications necessary to operate in today's complex business environment. In the months ahead, this informational aspect of public relations will become increasingly important, for just two possibilities remain for business: become conservative champions of the New Deal or, more realistically, join the "vital center" [1] where the opportunities for innovation are likely to assume expanded proportions.

Consequently, the necessity to understand the course the new administration will probably take falls upon the whole profession. The complexities of the business climate, the size of budgets, the balance between public and private spending, the nature of the economy itself all are involved. And while no amount of crystal-ball gazing will reveal a definitive picture of the future, the books noted above will go a long way toward providing a rough map to the New Frontier. None of them abstract easily; all of them are complex, thoughtful and forceful. And what is vastly more important, their authors are getting an audience at 1600 Pennsylvania Ave. Neustadt and Rostow are Presidential advisers; Morgenthau and Kahn are influential thought-leaders in the intellectual community to which the President has turned for help.

Neustadt tells how JFK is likely to exercise his power:

> . . . any President who valued personal power would start his term with vivid demonstrations of tenacity and skill in every sphere, thereby establishing a reputation sure to stand the shocks of daily disarray until he was prepared to demonstrate again.

Rostow, Morgenthau and Kahn spell out the substance of presidential decision making.

The Prerequisites of Power

Neustadt is not concerned with the constitutional definitions of presidential authority; instead he views presidential power over the president's shoulder and seeks to provide a number of guides for the presidents of the Sixties when the atmosphere will be laden with "emergencies in policy, with politics as usual." If "the President these days is an invaluable clerk," the way he exercises his stewardship is a very different matter. Neustadt abstracts general principles of Presidential power from three classic cases; the MacArthur dismissal and the steel-plant seizure in Truman's administration and the Little Rock incident in Eisenhower's first term. He finds that—

> . . . there must be assurance that the President has spoken
>
> . . . his meaning must be absolutely clear

[1] Arthur Schlesinger, Jr.'s book of the same name published in 1949 (Houghton Mifflin, New York, 256 pp., $3.00).

. . . broad publicity must accompany his orders

. . . it must be possible to carry out the President's orders

. . . there must be no misunderstanding that what he wants is by his right. Conversely, these incidents all share one characteristic in common: the order in each case was a "painful last resort," and were in effect "the failure to gain an end by softer means." Here, Neustadt is not so very far from Chester Bernard's observation that effective executive action nearly always accomplishes its goals without irrevocably setting the final wheels in motion.

To be sure, these principles are tempered by the President's power to persuade, his professional reputation as a skilled practitioner of power, and his public prestige so that ultimately his effectiveness depends on:

> . . . the bargaining advantages inherent in his job with which to persuade other men that what he wants of them is what their own responsibilities require them to do . . . the expectations of those other men regarding his ability and will to use the various advantages they think he has . . . those men's estimates of how his public views him and of how their publics may view them if they do what he wants. In short, his power is the product of his vantage points in government, together with his reputation in the Washington community and his prestige outside.

From Yesterday to Tomorrow

Walt Whitman Rostow is known popularly for his short book explaining a new approach to economic growth; his influence with the Kennedy Administration is likely to stem preponderantly from a heavy, textbookish *The United States in the World Arena.* For what Rostow has accomplished in "World Arena" is nothing less than a step-by-step review of post-World War II America, the problems those years created, the legacy they have left for the Sixties, and the alternatives for policy change.

It is Rostow's contention that America in the past century has produced a unique style based on articulated standards of morality and idealism that have often been adjusted emperically and pragmatically, "a habit of spacious generalization which universalized without reflection or refinement" and finally a heavy reliance on the *ad hoc* solution that overrules reflection. These developments, says Rostow, have left us at mid-century in a world where "moralism serves the nation ill," where "the rate of increase in material output is an insufficient measure of the society's performance," where simple empiricism and institutionalized innovation make it difficult to meet the challenge of today's environment and where "the image of inevitable American success is clouded."

In a brilliant final part, The American Agenda, Rostow generalizes in 65 pages what he thinks needs to be done. In sum:

> To formulate and act on policies . . . American society must shift the balance of its common life in moral, philosophic, administrative, political, and economic dimensions. The national interest cannot be defined, projected, or acted on effectively without a reassessment of the place of moral purpose in American public policy; the problem of anticipation and of pace in innovation cannot be solved without change in American philosophical, administrative, and political method; the mobilization of resources to do the jobs that must be done requires change in American economic thought and practice.

More on Style

Hans Morgenthau too is worried about the American style: "The restoration of the national purpose requires a reorientation of the national outlook, a change in our national style." Primarily, Morgenthau is looking for the American purpose and he finds it in equality in freedom, preserved and augmented at home and attractive enough to be emulated abroad. He sees our history as a series of incidents in which one status quo is only a stepping stone to a new achievement, and our politics "does not defend the past and present against the future; it defends one kind of future against another kind of future." The dominant aspect of that future is change.

Freedom, he writes, is not necessarily a matter of constitutional guarantees or the limitation of power; instead it will depend upon "the distribution of social power" among countervailing aspirants. In this contest, the government's role is one of synthesis. "We must recognize that while the public power is to be feared, so is the private, and that the possibility of the former's abuse is no argument for submitting to the actual abuse of the latter . . . society at large must help the government to free itself from the tyranny of public opinion by testing its own preferences against the objective standards that once gave meaning to its aspiration for equality in freedom. In brief, society too must free itself from the tyranny of public opinion."

War and Peace

If there is any move to test abandonment of the generally accepted thought that all-out thermonuclear war is unthinkable it will undoubtedly have to contend with Herman Kahn's analysis of the pertinent variables, which makes *On Thermonuclear War* a shocking book.

Kahn is concerned primarily with the arithmetic of survival and the variables of strategic decision making. Refusing to look on thermonuclear war as the end of all existence, he believes that a nationwide shelter sys-

tem would improve our deterrent system by altering the size of a nuclear strike that the nation can accept. And he believes too that a nation's nuclear capability depends on the will to use it and the enemy's understanding that it will be used. Consequently, the notion that our missiles will never be used is a dangerous one. However gruesome some of Kahn's conclusions may be, they suggest a complete turnaround in American strategic thinking and a fattening of defense budgets. And there is some indication that revaluations underway now are paying considerable attention to the ploys in Kahn's deadly game of nuclear chess.

(Incidentally, for anyone who needs proof that committee decision-making is usually a farce, Kahn includes a neat demonstration that a group of three or more *can not* choose from three or more alternatives, one that will represent the true concensus of the group.)

This Is Public Relations?

Such is the quadruple play of the future: from Neustadt to Rostow to Morgenthau to Kahn. There are others to be sure. But whatever their numbers, it is noteworthy that most of Kennedy's appointees and advisers-without-portfolio are young men making their mark, as James Reston has observed. Unencumbered by the luggage of old safaris, they are idea men, not ideologists; doers, not doctrinaires. Their voices are being heard and what they are saying will shape the future as surely as the men around FDR helped set an irrevocable pattern of national development. If public relations was an infant then, it can not afford to be irresponsibly infantile now. Like it or not, the profession's horizon is expanding immeasurably. And in the making is a whole new series of working conditions which it must anticipate or ultimately have its function questioned. For the public relations practitioner, like the legal practitioner, serves his clients best when he keeps them out of court. ●

—DON COLEN

HOW TO PLAN, PRODUCE AND PUBLICIZE SPECIAL EVENTS

By HAL GOLDEN AND KITTY HANSON, *Oceana Publications Inc., New York,* 1960, 256 pp., $6.00

Hal Golden and Kitty Hanson have put together a "how to" handbook that covers the subject of special events as thoroughly as there is need for. Well arranged, well written, it gives details, check-lists and admonitions on everything from chartering a boat for a company outing (check for two heads) to planning a convention. A first-rate book for beginner and experienced hand alike.

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